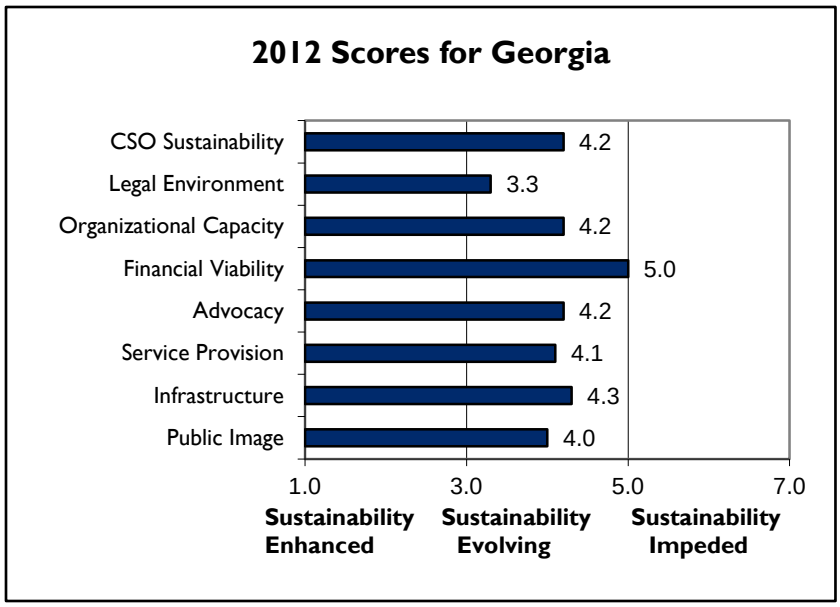
GEORGIA



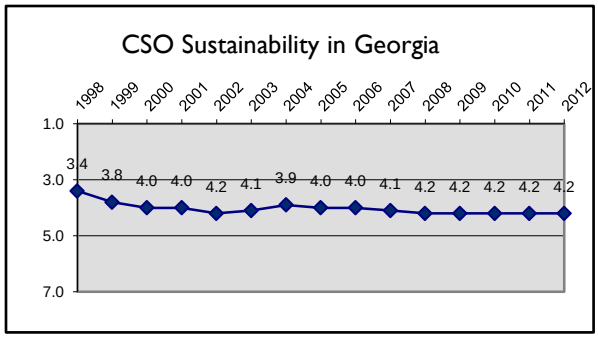
Capital: Tbilisi

Population: 4,555,911

GDP per capita (PPP): $5,900

Human Development Index: 72

CSO SUSTAINABILITY: 4.2



Georgia experienced both major triumphs and challenges in 2012. Parliamentary elections in October 2012 resulted in the first peaceful transfer of power in the history of democratic Georgia. Although it was too early to determine the new government's attitude towards civil society before 2012 drew to a close, the new political reality and thriving political competition during the campaign period seemed to give Georgian CSOs more opportunities to engage in national discourse and advocate for their core issues. Local CSOs also received substantial media exposure, improving public image and recognition.

Georgia continues to face major economic challenges. Forecasted GDP growth for 2012 is 6.1 percent, down sharply from 12.3 percent before the war in 2008. According to 2011 data, Georgians continue to struggle with an unemployment rate of over 15 percent and low average monthly wages of just 636 Georgian lari (about $400).

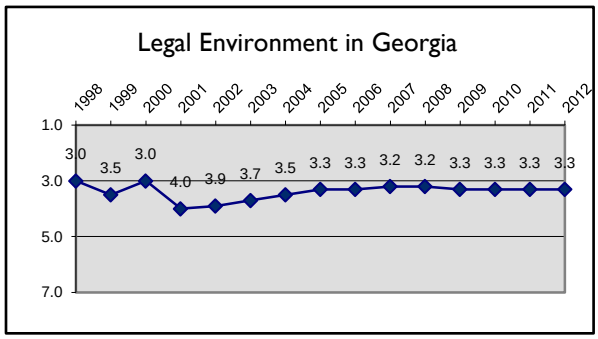
CSOs remain largely donor-driven, threatening their financial sustainability. Local legislation does not provide sufficient incentives to encourage local philanthropy, and a highly competitive labor market makes it difficult for CSOs to retain the qualified labor they need to develop effective strategies to market their services. In addition, as the new government took office in October 2012, it recruited civil

society professionals to fill vacancies, further destabilizing the sector.

On May 17, a small group of **lesbian, gay, bisexual, and transgender** (LGBT) activists marched on Tbilisi's central avenue for the first time, ending in a scuffle with an Orthodox Christian group. CSOs condemned the incident and criticized the police both for their negligence in preventing violence and their decision to detain the LGBT activists to secure their safety. The police, however, provided effective security for an impromptu procession the next day against violence and homophobia.

A total of 17,217 CSOs were registered in 2012, but only a small portion of these organizations are operational.

LEGAL ENVIRONMENT: 3.3



The legal environment governing the registration and operations of CSOs remained generally favorable in 2012. However, CSOs remain concerned about high payroll taxes, insufficient incentives for charity, and the lack of tax exemptions for CSO economic activities.

CSO registration typically takes between a few days and a few weeks. However, the registration process became more complicated when the Public Register took over registration duties from the Tax Authority in 2012. What used to be a simple one-day process has now been replaced by a lengthy and bureaucratic procedure. No cases were reported of CSOs being denied registration for arbitrary or political reasons. Only a small portion of registered organizations are operational as the process of liquidating a CSO remains extremely complicated.

CSOs did not report any controversial cases of state harassment in 2012. However, the government seized the bank accounts of the allegedly opposition-affiliated charity fund Komagi, which offered financial assistance to the "victims of political repression" during the election year. Komagi was criticized both by the government and election watchdog groups for violating the election law.

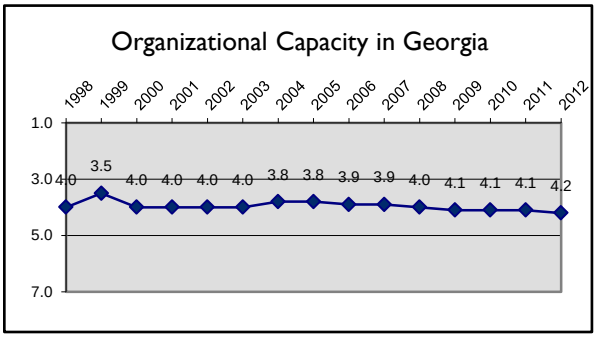
In 2011, the Civil Society Institute (CSI) supported the government in drafting a law and guidelines that would allow government institutions to award grants to local CSOs. Previously, the government could only procure CSO services through contracts. In early 2012, the Ministry of Justice (MOJ) became the first government entity to issue grants to local CSOs.

CSO economic activities are not granted any tax exemptions and are thus subject to the same taxes as the private sector. CSOs are eligible for VAT refunds on purchases made with grant funds. Although the government pledged to decrease the general payroll tax from 20 percent to 18 percent starting in January 2013, it had not taken any action to introduce the amendment by the end of 2012. Until 2010, CSOs paid only a 12 percent tax on their payrolls.

Local legal capacity did not change in Tbilisi in 2012, but deteriorated in the regions, consistent with trends over the past few years. Typically, regional CSOs have to recruit their own legal personnel or travel to the capital to seek such services. Pro bono assistance is available but limited.

ORGANIZATIONAL CAPACITY: 4.2

Because local sources of income remain limited, the scope and accessibility of international donor funds continue to influence the scale and both programmatic and geographic focus of local CSOs' activities.



The unpredictability and instability of CSO income, particularly in the regions, limits the ability of CSOs to identify, seek, and maintain contact with their constituencies. Smaller CSOs often migrate from one field to another, making it difficult for them to develop strong connections with constituency groups.

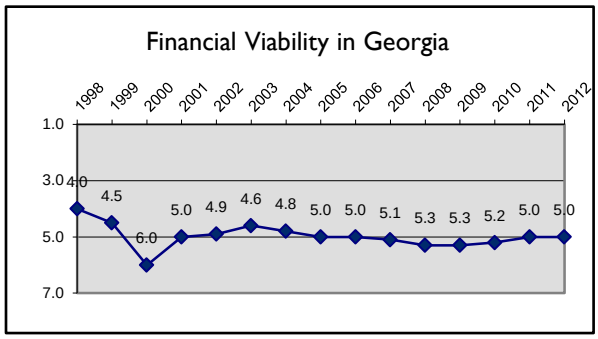
While smaller CSOs cannot afford highly qualified labor and depend on low-wage personnel and volunteers, larger CSOs – primarily based in Tbilisi – maintain professional management, accounting, communications, and other human resources to provide efficient and accountable CSO operations. However, CSOs still cannot compete with government or private sector employers, which offer better salaries, when it comes to recruiting talent. Job seekers consider positions with CSOs as less attractive, or as temporary arrangements or opportunities to indirectly explore government or business careers. Regional CSOs in particular have scaled down their staff to the bare minimum due to a lack of funding.

These ongoing staffing difficulties worsened after the 2012 parliamentary elections. Akin to the situation after the Rose Revolution in late 2003, the government heavily recruited CSO staff in 2012. This time, however, staff migration developed differently. First, unlike early 2004 when the new government mostly recruited the top CSO professionals, this time government recruited mid and senior-level CSO professionals. Second, as CSO employees left the sector to take government jobs, the senior and mid-level managers and professionals that left their government jobs or were relieved of their duties took CSO jobs or launched new CSOs in turn.

CSOs have boards of directors and maintain clear management systems and protocols on paper in order to meet standard donor requirements. However, no data is available on the extent to which these management structures and guidelines are applied in day-to-day operations.

Technical advancement of local CSOs remains challenging. Typically, donors hesitate to fund equipment purchases, preferring to support specific projects, not institutional needs. Because CSOs lack other funding sources, such policies frequently leave both small and large organizations with outdated technical infrastructure.

FINANCIAL VIABILITY: 5.0



Financial viability of CSOs remains fragile, despite incremental increases in local funding sources introduced over the last few years. International donor funds still provide the overwhelming majority of support to local nonprofits. While reliable data is lacking, the general assumption is that CSOs continue to remain in a "95 percent zone," referring to the share of international donor funds in total CSO revenues. According to expert observations, only about 10 percent of all functioning CSOs enjoy relative diversity of their revenue sources.

State funding to CSOs increased in 2012, notably in civic activism, voter education, criminal justice, and juvenile justice system reforms. In early 2012, the Ministry of Justice (MOJ) became the first government entity to take advantage of the new legal possibility to issue grants to local CSOs. The MOJ made eleven grant awards in spring 2012, totaling 100,000 Georgian lari (about $60,260), creating a modest yet important alternative to international donor funds. The Central Elections Commission was also at the forefront of government-sourced grant awards in 2012, issuing grants for non-political projects and services to both Tbilisi-based and regional CSOs. In late 2012, the president allocated 1 million Georgian lari (about $602,600) from his discretionary fund to provide "further assistance to civil society and independent media." Some experts, however, speculate that the increase was motivated by the 2012 elections and will not be sustained.

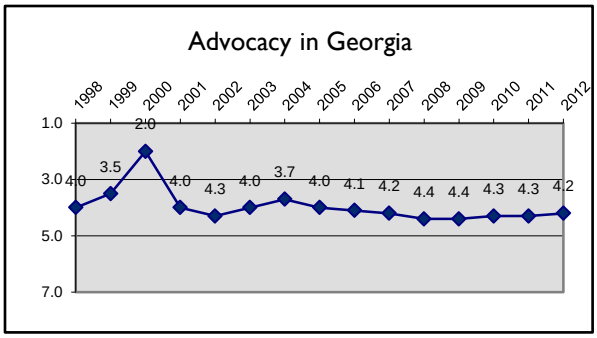
Individual and corporate philanthropy and corporate social responsibility (CSR) are still nascent. While some wealthy individuals donate funds to CSO projects, it is unclear whether these gifts are politically motivated because of the relationship between the donors and recipients. Large businesses actively engage in charity events and provide in-kind donations to CSO campaigns and activities, such as free movie tickets for blood donors or discounted prices on entertainment services for underprivileged juveniles. The culture of volunteerism is also underdeveloped.

CSOs actively market their services and earn modest yet critical revenues. Organizations including the Center for Change and Conflict Management - Partners Georgia, Center for Training and Consultancy, and Center for Strategic Research and Development earn revenue through the training, research, and consulting services they offer. However, the legal framework lacks tax or legal incentives for CSO economic activities and CSOs struggle to retain qualified staff. CSOs are therefore unable to upgrade their services or marketing strategies to compete with the business sector.

Large organizations have advanced financial management systems in place, while smaller organizations have limited capacities, as well as lower need, for advanced financial management and reporting systems. Accounting protocols and software are available and help promote sound management and transparent reporting and operation of CSO funds. Because independent audits are costly, only developed and financially strong CSOs commission annual or biannual audits. Large organizations typically publish reports with financial statements annually or biannually.

ADVOCACY: 4.2

Given the rapidly changing political and social environment in the wake of parliamentary elections in October, the level and success of advocacy efforts by Georgian CSOs fluctuated throughout 2012. Some CSO campaigns were major successes, while others were less effective, despite being highly vocal. While overall CSO advocacy capacity remained unchanged, the political competition that manifested throughout the election year created more space for CSOs to raise their concerns, comment on relevant political developments, and advocate on major issues.



In February 2012, CSOs and local media organizations launched the campaign "This Affects You Too" to advocate against election-driven amendments to the Law on Political Parties passed in late December 2011. The amendment introduced funding restrictions to political parties, organizations, and individuals directly or "indirectly" related to political parties and imposed criminal liability for accepting inducements involving money or "any other kind of benefits" for "political purposes." Local and international CSOs were concerned that the amendment's vague language would limit the freedom of CSOs that cooperate with

political parties. After a large countrywide advocacy campaign and petition signed by 170 CSOs and media entities, lawmakers eliminated these vague provisions in early 2012.

In June, the Coalition for Media Advocacy, established by eleven watchdog and media organizations in 2011, finally convinced the parliament to adopt the "Must Carry" rule, which obligates cable providers to carry all television channels that have news programs for sixty days before the elections. Considering the growing concern that the government was pressuring media institutions not to extend their geographic coverage, the approval of this rule constituted a major milestone for CSOs and democracy in Georgia. Several experts, however, suggest that these achievements were only possible due to pressure from the international community.

CSOs actively cooperated with the executive and legislative branches of government and lobbied to upgrade Georgia's legal framework against discrimination. Despite strong opposition from conservative and Orthodox groups, government entities and CSOs jointly submitted a draft law to the parliament that makes motives based on race, religion, sexual orientation, or other bias an aggravating circumstance to crime. Parliament approved the law as an amendment to the Criminal Code on March 27.

After the October elections, which brought a new political coalition to power, CSOs endorsed candidates for key government vacancies, including the Public Defender and the manager of the Georgian Public Broadcaster. Despite the fact that over 100 organizations united to support a candidate for Public Defender, CSO efforts were unsuccessful in both cases. CSOs also failed to convince the prime minister to reconsider his choice for the Minister for Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees, which they objected to because of the candidate's allegedly offensive and racially-charged speech.

A prison abuse scandal broke out a few weeks before the elections, triggering a fierce public protest that immediately spiraled into a wide youth and CSO-led protest campaign. The protests resulted in the resignation of the Minister of Internal Affairs and the Minister of Corrections and Legal Assistance.

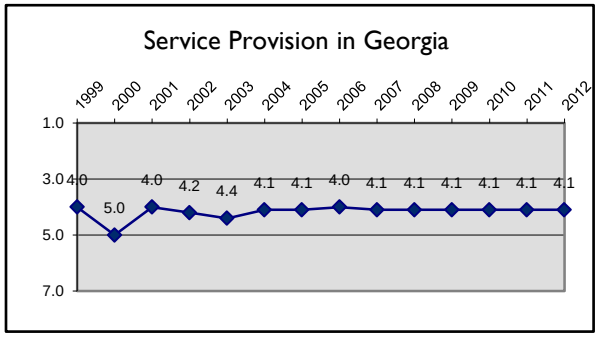
In December 2012, local Orthodox Christians barred local Muslim communities from practicing their religious prayers in the villages of Nigvziani (Guria) and Tsintskaro (Kvemo Kartli). The newly appointed Public Defender criticized the new government for failing to react appropriately and joined the Councils of National Minorities and Religions, the Tolerance Center, and other human rights organizations in condemning statements made by new parliamentarians.

In 2012, CSI actively advocated for a law on volunteerism that would grant volunteers legal status for the first time. The draft law proposes a legal definition for volunteerism; protects the rights of volunteers by regulating their relationships with employers; determines employer duties and responsibilities; and introduces tax breaks on volunteer-related costs for employers, such as transportation and accommodation.

Despite the robust advocacy during the year, watchdog CSOs were increasingly criticized by other CSOs after the elections for being reluctant to provide adequate commentary and activism on important developments, such as the high profile arrests of former officials, the massive amnesty law, the law on political prisoners, and the highly disputed decline in Georgia's economic activity after the elections.

SERVICE PROVISION: 4.1

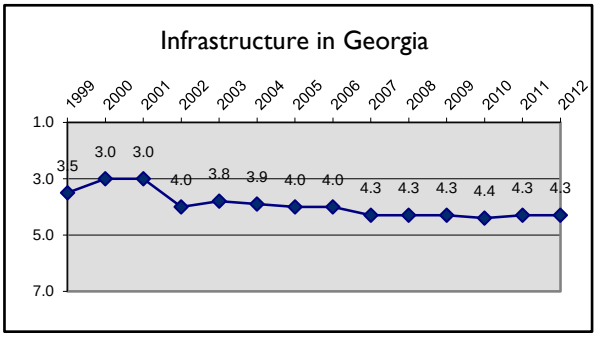
Local CSOs continue to provide services mainly in education, policy consulting, capacity building, legal aid, and social welfare to the government, business, and public. The quality of services lags behind that of the business sector because CSOs lack skilled personnel to refine their services and improve marketing strategies. It is not yet clear whether the exodus of staff after the elections affected service provision since the sector also gained talent from the government sector.



The need for CSO trainings and other services is mostly determined through research and needs assessments conducted by donors or large umbrella projects and therefore respond to the real needs and priorities of beneficiary groups. Such donor-supported training and other services are delivered mostly for free or for a minor fee. The general demand for other paid CSO services is low.

The government continues to be interested in CSO-provided trainings and other research and consulting services as international donor organizations usually pay for them. In addition, the government praises the sector's ability to deliver some services more efficiently and to better reach beneficiary populations than the government. The government's positive opinion has led to a gradual increase in government grants to CSOs in 2012 for projects and services in new areas such as voter education and juvenile justice reform. Social welfare CSOs, however, are increasingly unstable as the government decreased the number of welfare recipients and government agencies now issue vouchers instead of contracting local CSOs to deliver certain welfare services.

INFRASTRUCTURE: 4.3



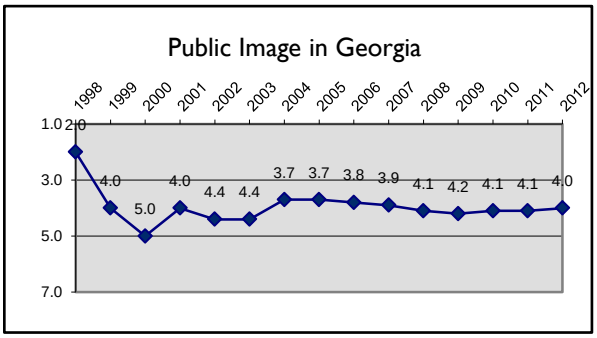
CSO infrastructure did not change significantly in 2012. Critical infrastructure remains largely concentrated in Tbilisi, while access to resource centers, training, and technical assistance remains poor in the regions. However, USAID's 3G project launched Civic Engagement Centers (CECs) throughout the country in 2012. CECs offer free space and equipment for CSOs and other groups, including political parties, government, and media, to conduct meetings, trainings, and other activities. The Open Society Foundation Georgia, Eurasia Partnership Foundation, Women's Fund Georgia, and a few other institutions re-grant international donor funds to local CSOs.

There is strong local training capacity on CSO management issues. Although most skilled training providers are concentrated in Tbilisi, various donors and projects commission them to deliver strategic management, advocacy, accounting, financial management, fundraising, volunteer management, and other trainings to local CSOs and other beneficiaries in the regions. Most training materials are available in the Georgian language.

CSO coalitions thrived in 2012, as CSOs joined together to campaign for several significant issues, such as Georgia's renewed anti-discrimination framework, the "Must Carry" rule, government grants, and other legal reforms.

The government and CSOs continued to cooperate closely in 2012, despite the political turbulence both before and after the October elections. As more government funds became available for CSOs in 2012, the level and extent of CSO-government cooperation increased. The business sector continues to show limited interest in exploring partnerships with CSOs, other than small, one-off, low-cost charity events or campaigns. This is partly due to the lack of a culture of philanthropy and CSR in the country, as well as CSOs' failure to offer mutually beneficial opportunities for business-CSO partnerships.

PUBLIC IMAGE: 4.0



The revitalized political atmosphere and competition in 2012 presented Georgian CSOs with the opportunity to engage in and influence the national debate more vigorously. It also gave local CSOs significant media exposure, contributing to a noticeable improvement in the sector's public image and recognition. The sector's image, however, remains politically polarized with some groups being seen as pro-government and others as pro-opposition. In general, government and business awareness of CSO work remains largely limited to CSO watchdog functions.

Local and national media are also politically polarized, and tend to cover CSOs with similar political leanings. Media coverage of CSOs increased in 2012 following the high- profile "Must Carry" and "This Affects You Too" campaigns and efforts to amend the anti-discrimination law. Media also asked CSOs to comment on important political developments and government decisions more frequently, especially before the October elections. CSO leaders and experts participated in national TV debates on different social and political issues throughout 2012. Public broadcasting and private TV companies occasionally provide local CSOs and advocacy groups with prime air time, typically in talk shows or entertainment programs, to speak about their social and welfare projects or campaigns, thereby improving public awareness and participation in CSO events and activities.

Although no surveys were conducted, CSOs seem to have significantly improved their presence on social media platforms in 2012, allowing for more targeted outreach. Although Internet use remains low in Georgia (36.5 percent in 2011), over 90 percent of urban youth access Internet daily, allowing local CSOs to engage their young beneficiaries efficiently. CSOs actively maintain and update their social media pages, along with their official websites.

Georgian CSOs have a formal Code of Ethics, which was developed in 2005. The Code, however, has received little or no attention from CSOs since its adoption. Only a few large CSOs publish annual reports.